

CHANGE COMES TO FRANCE: FRENCH LEGISLATIVE ELECTION RESULTS AND IMPLICATIONS

June 19, 2017

- I. Executive Summary: Newly elected 39 year old French President Emmanuel Macron's one year old political party, La République en Marche (LREM), yesterday won an outright majority in the French legislative elections, by a large margin of 350 seats in the 577 seat Assemblée Nationale, well over the 289 seats needed for a majority. The election result is a stunning repudiation of the French governing class and the two mainstream political parties, the center-right Gaullists (under changing names, most recently, the Républicains) and center-left Socialists, who have alternatively held power since the Fifth Republic began in 1958; and a strong mandate for Macron's centrist, modernizing, and deregulatory agenda.
- II. Results: According to final results, the newly - formed LREM and its partner Mouvement Démocrate (MoDem) collectively won 350 seats for an outright majority in the 577 seat Assemblée Nationale, far more than the 289 needed for a majority. The center-right Républicains won 113 seats (down from 199 in the 2012 election); the Parti Socialiste, in an existential wipe-out; won 30 (down from 289 and the largest Assemblée bloc in the 2012 elections); the far-left La France Insoumise (LFI) party won 17; the center-right Union des Démocrates et Indépendants (UDI) won 17; the Parti Communiste won 10; and the far-right Front National (FN) Party, whose leader, Marine Le Pen, was defeated by Macron for the presidency in May, won 8 (up from 2 in the 2012 elections), Le Pen herself winning a seat for the first time, in the Pas-de-Calais; with the remaining seats going to other parties.
- III. Takeaways: The immediate takeaways from the election results are:
 - a. This was a "change" election and a "wave" election. Most media coverage has focused on French rejection of right wing populism in the defeat by Macron of his presidential second round opponent, Front National leader Marine Le Pen. That is true as far as it goes, but Macron is himself, in French politics, an upstart and anti-establishment figure, although his background is establishmentarian and his policies are far more mainstream than Le Pen's. He abandoned a ministerial position in a Socialist government under his mentor, former President François Hollande, to form his own political movement and attempt to succeed him.
 - b. The significance of voters' rejection of the two leading center-left and center-right parties, for the first time in the Fifth Republic, at both the presidential and legislative levels, cannot be overstated. In particular, the near wipe-out of the Socialiste Party, which until May held both the presidency and a working majority in the Assemblée, poses real questions about its future viability as a governing party or even as a "leader of the opposition." With the center-right

Républicains and UDI potentially broadly supportive of Macron's deregulatory and modernizing agenda (but not necessary for him to pass legislation), a centrist/center-right legislative agenda can claim an enormous mandate: over 80% of the Assemblée's seats, with the LREM/MoDem bloc controlling 60% of seats themselves. By contrast, the left, including the Socialists and LFI, controls about 70 seats, no more than 12% of the Assemblée. In France, a country long in thrall to its enormous public sector and militant leftist unions, this is a shock wave, and raises the question of whether public sector unions will still have their traditional leverage of descending into the streets to paralyze successive Fifth Republic governments, as they have done since 1968 at every attempt to impose modernizing reforms.

- c. Turnout was historically low for the second round, with a 57.4% abstention rate. Projections that LREM would win up to 445 seats after the first round of voting two weeks ago may have depressed turn-out by both Macron supporters and opponents. The historically low participation rate of 42.6% is the only pall on Président Macron's claim to a mandate.
- d. 223 women were elected to the 577 Assemblée seats, a record, and nearly 40% of the total. France, a country with a history of lagging northern European counterparts in high-level private and public sector opportunities for women, is showing signs of breaking its glass ceiling.
- e. Macron's proposed reforms, cutting the national budget and enormous public civil service, reforming the labor market to create greater flexibility reducing generous state pension schemes to bring them into greater conformity with private sector pensions, and cutting the corporate tax, have a chance to succeed. It is clear that the French voters want to give him a chance. If he enacts his reforms, and unemployment drops, growth accelerates, and foreign investment improves, he may transform France.
- f. But: Macron has become a national and international celebrity for keeping France out of Le Pen's and the Front National's hands. However, his presidential and legislative mandate is a potentially double-edged sword. If he does not deliver reform, reduce unemployment, and increase economic growth with the winning hand he has been dealt, the FN will be back in 2022, ever more strident. In particular, if Macron's reforms do not reduce France's inexcusable over 10% unemployment rate (at a time when Germany's is 4% and the U.K.'s and the Netherlands' is 5%) and improve its sclerotic growth rate, French voters may not give him a second chance. To the extent that French voters really did reject the establishment parties and chose Macron

instead of Le Pen, they are for once expecting actual results. If they are in a worse mood in five years, Le Pen might yet be the beneficiary.

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